

Message Text

LIMITED OFFICIAL USE

PAGE 01 LISBON 04669 300833Z

11

ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-04 FPC-01 H-01 INR-05

INT-05 L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-02 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01 PRS-01

USIA-06 /083 W

----- 034118

R 291630Z OCT 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 878

INFO AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

LIMITED OFFICIAL USE LISBON 4669

EO 11652: N/A

TAGS: ENRG, PO

SUBJECT: GOP PLANS SINGLE NATIONAL OIL COMPANY

SUMMARY: GOP HAS INITIATED NEGOTIATIONS AIMED AT MERGER OF PORTUGUESE COMPANIES (THIS EXCLUDES SUBSIDIARIES OF FOREIGN COMPANIES) REFINING AND DISTRIBUTING PETROLEUM. GIVEN STRONG LINKS ALREADY EXISTING BETWEEN THESE COMPANIES AND THE STRONG OWNERSHIP POSITION OF THE GOVERNMENT, SUCH A STEP WOULD NOT BE A MOMENTOUS ONE OR AN ATTACK ON PRIVATE ENTERPRISE. END SUMMARY.

1. ON OCTOBER 16 GOP ANNOUNCED START OF IMMEDIATE NEGOTIATIONS AIMED AT MERGER OF SACOR AND PETROSUL, TWO OF THE THREE DOMESTIC PORTUGUESE OIL COMPANIES. THE GOVERNMENT NEGOTIATORS, GIVEN 45 DAYS TO MAKE THEIR INITIAL REPORT, ARE ALSO TO EXTEND THE NEGOTIATIONS TO THE THIRD PORTUGUESE COMPANY, SONAP, WHENEVER THEY CONSIDER THE TIME APPROPRIATE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LISBON 04669 300833Z

2. THE ANNOUNCED INTENTION OF THE GOVERNMENT IS TO OBTAIN INTERNAL RATIONALIZATION AND A STRENGTHENED INTERNATIONAL NEGOTIATING POSITION BY RESTRUCTURING THE DOMESTIC OIL INDUSTRY INTO A SINGLE PORTUGUESE-WIDE COMPANY. ACCORDING TO THE ANNOUNCEMENT, THE NEW ENTERPRISE WILL "NATURALLY BE SUBORDINATE TO CONTROL OF THE PUBLIC SECTOR," BUT IT IS NOT SPELLED OUT WHETHER THE GOVERNMENT INTENDS TO CONTINUE MERELY SOME FORM OF ITS PRESENT STRONG SHAREHOLDINGS AND CLOSE SUPERVISION OR INTENDS TO TAKE OVER COMPLETE DIRECT CONTROL.

3. THE GOVERNMENT ALREADY CONTROLS STRONG MINORITY SHARES OF ALL THREE COMPANIES, AND THE OIL COMPANIES THEMSELVES HAVE STRONG STOCK HOLDINGS IN EACH OTHER. SACOR'S STOCK IS HELD 33.3 PERCENT BY THE GOVERNMENT, 10.5 PERCENT BY THE GULBENKIAN FOUNDATION, 25 PERCENT BY SONAP, 4 PERCENT BY ARISTIDES SAIN, AND THE REMAINING 27.2 PERCENT BY VARIOUS BANKS AND INDIVIDUAL SHAREHOLDERS. PETROLSUL IS OWNED 34 PERCENT BY GOP, 15 PERCENT BY INDIVIDUAL SHAREHOLDERS, AND 51 PERCENT DIVIDED BETWEEN SONAP AND CUF (THE GIANT COMPANHIA UNIAO FABRIL). SONAP'S STOCK IS DIVIDED 20 PERCENT TO THE GOVERNMENT, 25 PERCENT EACH TO SACOR AND CUF, 13.2 PERCENT TO THE GULBENKIAN FOUNDATION, AND 16.8 TO INDIVIDUAL STOCKHOLDERS. FROM THIS IT CAN BE SEEN THAT INTERESTS OF THE GOP, THE THREE OIL COMPANIES, CUF, AND TO A LESSER EXTENT THE GULBENKIAN FOUNDATION ARE PRESENTLY STRONGLY INTERLINKED.

4. SACOR AND SONAP ARE TWO OF THE FIVE OIL COMPANIES WITH NETWORKS OF FILLING STATIONS IN PORTUGAL (THE OTHERS ARE SHELL, BP, AND MOBIL). SACOR IS OWNER OF THE ONLY OIL REFINERIES CURRENTLY OPERATING IN THE COUNTRY - A LARGE ONE NEAR OPORTO (CURRENTLY BEING EXPANDED FROM A CAPACITY OF 90,000 TO 170,000 BARRELS A DAY, WITH PLANS FOR 220,000), AND A SMALLER ONE NEAR LISBON (45,000 BARRELS A DAY CAPACITY). SONAP HAS NO REFINERY, BUT IS A PARTNER IN PETROSUL WHICH IS STARTING CONSTRUCTION OF A BIG REFINERY IN SINES. WHEN PETROSUL REFINERY BECOMES OPERATIONAL, IT WILL SUPPLY 60 PERCENT OF PRODUCT USED DOMESTICALLY AND SACOR 40 PERCENT. A SACOR OFFICIAL TOLD EMBOFF LAST LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LISBON 04669 300833Z

WEEK THAT THE COMPANY'S SMALL LISBON AREA REFINERY, ORIGINALLY SCHEDULED TO BE PHASED OUT, WAS NOW PLANNED FOR MODERNIZATION AND EXPANSION. IT IS NOT KNOWN HOW THE GOVERNMENT'S MERGER PROPOSAL WILL AFFECT THE PLANS OF THE VARIOUS COMPANIES.

5. DIRECTOR GENERAL OF FUELS MOURA VICENTE INFORMED US THAT DECISION TO MERGE COMPANIES IS BASED ON BOTH DOMESTIC AND

FOREIGN CONSIDERATIONS. DOMESTICALLY, HE SAID, PORTUGAL IS TOO SMALL TO WARRANT COMPETING NATIONAL FIRMS. AMALGAMATION, BE BELIEVES, WILL MAKE THE PETROLEUM INDUSTRY MORE RATIONAL. FROM THE INTERNATIONAL POINT OF VIEW, HE CONSIDERS THAT IT MAKES NO SENSE FOR THE DOMESTIC PETROLEUM INDUSTRY TO BE SPEAKING WITH MORE THAN ONE VOICE. SEPARATE PORTUGUESE COMPANIES END UP COMPETING WITH NE ANOTHER RATHER THAN SUPPORTING A NATIONAL POSITION.

6. MOURA VICENTE SAID THAT GOP OWNERSHIP POSITION IN A MERGEN COMPANY HAS NOT BEEN DETERMINED. HE NOTED, HOWEVER, THAT GOP DOES NOT REALLY NEED A POSITION GREATER THAN THE ONE IT NOW HAS IN ORDER TO SHAPE THE POLICIES OF A COMPANY RESULTING FROM A MERGER.

7. CONCERNING THE THREE FOREIGN FIRMS THAT DISTRIBUTE PRODUCT THROUGH SERVICE STATIONS IN PORTUGAL (MOBIL, SHELL, AND BP), MOURA VICENTE SAID THE EXPECTED MERGER WOULD NOT AFFECT THEIR POSITION. THESE FIRMS WOULD CONTINUE TO MARKET A FIXED VOLUME OF PRODUCT EQUAL TO THAT THEY NOW DISTRIBUTE.

8. COMMENT: GIVEN THE ALREADY HIGH DECREE OF LINKAGE OF THE NATIONAL FIRMS AND THE STRENGTH OF THE GOVERNMENT'S OWNERSHIP PARTICIPATION, A MERGER CANNOT BE CONSIDERED A VERY BIG STEP. WHILE WE MUST AWAIT THE TERMS OF THE MERGEN TO SEE HOW IT AFFECTS EXISTING SHAREHOLDERS, WE DO NOT BELIEVE THAT SUCH A STEP CAN BE INTERPRETED AS A MOVE HOSTILE TO PRIVATE INDUSTRY. SCOTT

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PETROLEUM, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LISBON04669
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740309-0640
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741010/aaaaaiiq.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2002 by rowelle0>; APPROVED <12 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOP PLANS SINGLE NATIONAL OIL COMPANY SUMMARY: GOP HAS INITIATED NEGOTIATIONS AIMED AT MERGER
TAGS: ENRG, PO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005